

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 13, 2017

San Ysidro Family Apartments, located at 160 West Seaward Avenue in San Diego, requested and is being recommended for a reservation of \$1,439,916 in annual federal tax credits to finance the new construction of 137 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Chelsea Investment Corporation and will be located in Senate District 40 and Assembly District 80.

Project Number CA-17-821

Project Name San Ysidro Family Apartments
 Site Address: 160 West Seaward Avenue
 San Diego, CA 92173 County: San Diego
 Census Tract: 100.13

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,439,916	\$0
Recommended:	\$1,439,916	\$0

Applicant Information

Applicant: San Ysidro CIC, LP
 Contact: Chris Earl
 Address: 6339 Paseo del Lago
 Carlsbad, CA 92011
 Phone: (760) 795-5627 Fax: (760) 456-6001
 Email: cearl@chelseainvestco.com

General Partner(s) or Principal Owner(s): Casa Familiar, Inc.
 CIC San Ysidro, LLC

General Partner Type: Joint Venture

Parent Company(ies): Casa Familiar, Inc.
 Chelsea Investment Corporation

Developer: Chelsea Investment Corporation

Investor/Consultant: Richman Group

Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 139
 No. & % of Tax Credit Units: 137 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 14
 Number of Units @ or below 60% of area median income: 123

Bond Information

Issuer: Housing Authority of the City San Diego
 Expected Date of Issuance: February 20, 2018
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: Diane SooHoo

Unit Mix

24 1-Bedroom Units
 79 2-Bedroom Units
36 3-Bedroom Units
 139 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
21 1 Bedroom	60%	60%	\$1,023
3 1 Bedroom	50%	50%	\$853
71 2 Bedrooms	60%	60%	\$1,228
8 2 Bedrooms	50%	50%	\$1,023
31 3 Bedrooms	60%	58%	\$1,363
3 3 Bedrooms	50%	48%	\$1,136
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$25,553,220

Project Cost Summary at Application

Land and Acquisition	\$6,750,163
Construction Costs	\$22,208,167
Rehabilitation Costs	\$0
Construction Contingency	\$1,139,174
Relocation	\$535,519
Architectural/Engineering	\$607,028
Const. Interest, Perm. Financing	\$2,453,945
Legal Fees, Appraisals	\$230,000
Reserves	\$417,797
Other Costs	\$3,766,658
Developer Fee	\$4,445,328
Commercial Costs	\$0
Total	\$42,553,778

Project Financing

Estimated Total Project Cost:	\$42,553,778
Estimated Residential Project Cost:	\$42,553,778
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$196
Per Unit Cost:	\$306,142
True Cash Per Unit Cost*:	\$298,768

Construction Financing

Source	Amount
Citibank- Tax Exempt Bonds	\$28,000,000
San Diego Housing Commission	\$8,787,500
Accrued Interest	\$581,208
Deferred Developer Fee	\$3,143,183
Tax Credit Equity	\$2,165,319

Permanent Financing

Source	Amount
Citibank	\$15,539,000
San Diego Housing Commission	\$9,250,000
Accrued Interest	\$581,209
General Partner Equity	\$1,846,458
Deferred Developer Fee	\$1,025,084
Tax Credit Equity	\$14,312,027
TOTAL	\$42,553,778

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$34,080,849
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$44,305,104
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,439,916
Approved Developer Fee (in Project Cost & Eligible Basis)	\$4,445,328
Investor/Consultant:	Richman Group
Federal Tax Credit Factor:	\$0.9939

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$34,080,849
Actual Eligible Basis:	\$34,080,849
Unadjusted Threshold Basis Limit:	\$40,941,232
Total Adjusted Threshold Basis Limit:	\$48,069,456

Adjustments to Basis Limit

Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: None.

Local Reviewing Agency

The Local Reviewing Agency, San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,439,916	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions:

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under GreenPoint Rated Multifamily Guidelines
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.